



*City of Salmon Arm*

*Memorandum from the Director of Corporate Services and  
Director of Engineering and Public Works*

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Date: January 4, 2010  
To: Mayor Bootsma and Members of Council  
Subject: Local Improvement Area Bylaw - 73 Avenue NE - Water Main Extension

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Recommendation:

- THAT: Bylaw No. 3793, cited as the "City of Salmon Arm Local Area Service - 73 Avenue Water Main Extension Establishment Bylaw No. 3793", be given three readings;
- AND THAT: Approval of the property owners within the Local Area Service be obtained through the Council Initiative Process;
- AND THAT: The deadline for elector responses be March 31, 2010;
- AND THAT: The 2010 - 2014 Financial Plan Bylaw be amended to reflect the 73 Avenue Water Main Extension Project and applicable funding.

Background:

A request in the form of a signed (informal) petition was received by the City of Salmon Arm (City) in July 2009 from the residents of 73 Avenue NE (near Captain's Cove Marina on the south shore of Shuswap Lake). The residents have requested information with respect to the cost and feasibility of obtaining a municipal water service to their properties. A letter has been sent to residents acknowledging receipt of their request and advising them that the City will investigate the matter further. A map has been developed which reflects the proposed local area service (refer to Schedule "A" of the City of Salmon Arm Local Area Service - 73 Avenue Water Main Extension Establishment Bylaw No. 3793).

The request has been reviewed and to service the area, a connection will be required to the 600mm Zone 1 trunk water main which lies across the CPR rail line. To facilitate this connection, a water main will need to be constructed beneath the existing CPR rail line, approvals of which will be required from CPR.

Prior to the construction of the City's new Water Treatment Plant, service connections to this Zone 1 trunk main were restricted for 'only' non potable use; this was due to the chlorine contact time required from the Canoe Beach Pump Station to the point of consumption. With the onset of the new Water Treatment Plant, this requirement is no longer an issue as chlorine contact time is sufficient.

A cost estimate of \$175,000.00 to construct the water main to connect to the Zone 1 trunk main has been prepared. It is recommended that financing for this extension be through a funding mechanism referred to as a "*local area service tax levy*" of which approval is obtained from the local service area by way of a Council Initiative Process. This is a method available to Council and property owners for establishing a service in an area that would otherwise not be undertaken due to the small benefiting area, the extension is not a priority in relation to other improvements scheduled, the cost of the extension will not benefit future growth, etc.

Essentially, the subject area or local area service will finance the extension that it will derive the benefit from (i.e. pay for the water main that will allow them access to the municipal water system). If the Council Initiative Process is successful, the City will borrow the required funds and the repayment of the debt will be collected annually from the local service area in the form of a parcel tax.

The financing plan provides for property owners within the Local Service Area to be provided with an option to commute (i.e. provision of lump sum payment) all or a portion thereof, of each property owner's share of the project cost. There are ten (10) properties in the Local Service Area which equates to a per property cost of \$17,500.00.

The City of Salmon Arm Local Area Service - 73 Avenue Water Main Extension Establishment Bylaw No. 3793 (Bylaw) provides for commuted value payments in increments of \$1,000.00 thereby reducing the amount of project costs funded through debenture debt and reducing the annual parcel tax for the applicable property owner. For example, if a property owner commutes \$10,000.00 of their share of the \$17,500.00, the City will only borrow \$7,500.00 resulting in an annual parcel tax of \$508.73 as opposed to \$1,187.03 for that property owner.

Annual Parcel Tax and Commuting Schedule:

Principal Amount	Lump Sum Payment	Net Amount Borrowed	Annual Parcel Tax	Other Annual Costs (n/a at this time)	Total Annual Parcel Tax
\$17,500.00	\$ 0.00	\$17,500.00	\$1,187.03	\$ 0.00	\$1,187.03
\$17,500.00	\$ 1,000.00	\$16,500.00	\$1,119.20	\$ 0.00	\$1,119.20
\$17,500.00	\$ 2,000.00	\$15,500.00	\$1,051.37	\$ 0.00	\$1,051.37
\$17,500.00	\$ 3,000.00	\$14,500.00	\$ 983.54	\$ 0.00	\$ 983.54
\$17,500.00	\$ 4,000.00	\$13,500.00	\$ 915.71	\$ 0.00	\$ 915.71
\$17,500.00	\$ 5,000.00	\$12,500.00	\$ 847.88	\$ 0.00	\$ 847.88
\$17,500.00	\$ 6,000.00	\$11,500.00	\$ 780.05	\$ 0.00	\$ 780.05
\$17,500.00	\$ 7,000.00	\$10,500.00	\$ 712.22	\$ 0.00	\$ 712.22
\$17,500.00	\$ 8,000.00	\$ 9,500.00	\$ 644.39	\$ 0.00	\$ 644.39
\$17,500.00	\$ 9,000.00	\$ 8,500.00	\$ 576.56	\$ 0.00	\$ 576.56
\$17,500.00	\$10,000.00	\$ 7,500.00	\$ 508.73	\$ 0.00	\$ 508.73
\$17,500.00	\$11,000.00	\$ 6,500.00	\$ 440.90	\$ 0.00	\$ 440.90
\$17,500.00	\$12,000.00	\$ 5,500.00	\$ 373.07	\$ 0.00	\$ 373.07
\$17,500.00	\$13,000.00	\$ 4,500.00	\$ 305.24	\$ 0.00	\$ 305.24
\$17,500.00	\$14,000.00	\$ 3,500.00	\$ 237.41	\$ 0.00	\$ 237.41
\$17,500.00	\$15,000.00	\$ 2,500.00	\$ 169.58	\$ 0.00	\$ 169.58
\$17,500.00	\$16,000.00	\$ 1,500.00	\$ 101.75	\$ 0.00	\$ 101.75
\$17,500.00	\$17,000.00	\$ 500.00	\$ 33.92	\$ 0.00	\$ 33.92
\$17,500.00	\$17,500.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

It should be noted that this flexibility in allowing various amounts of lump sum payments assists in making the project affordable while saving the property owner interest dollars, etc. It is only available to small Local Service Areas such as this one and where each property owner's share of the project cost is recovered on a parcel tax basis. It is recommended that to obtain affordability that the water main extension be financed over thirty (30) years to match the estimated life of the water main.

Capital Cost Contribution

The existing development within the City "Water Service Area" is a self sustaining operation established and funded by the existing users. It has over the years developed into an extensive water system with a total value of approximately \$65M, of which approximately \$25M is attributable to Pressure Zone 1. The subject area lies within Pressure Zone 1. Any outside user (i.e. properties outside of the boundaries of the Water Service Area that have not contributed by way of frontage taxes toward these improvements) requesting to connect to the water system should be required to pay a Capital Contribution to this investment. This rationale was also applied to the Gleneden Water Area wherein all existing properties that connect to the water system will contribute a Capital Cost Charge based on the current Water Development Cost Charge of \$2,868.20.

Other Fees, Taxes and Charges

In addition to the capital construction cost, property owners must be aware that following connection to the municipal water system, the property owner will be responsible for the ongoing costs of the water system which include:

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|----------------------------|--------------------------------------|
| 1. Water User Fees         | \$222.08 (net of discount)           |
| 2. Water Frontage Taxes    | \$245.00 (range \$96.63 to \$555.00) |
| 3. Water Meter (2009 Rate) | \$202.00                             |
| 4. Plumbing Inspection Fee | \$ 55.00                             |

Note: The property owner will be required to hire a contractor (i.e. plumber) to connect their existing dwelling to the new water service at the property line.

Summary

The property owners within the boundaries of the Local Service Area will be subject to the following estimated costs:

- Annual Parcel Tax (choose the applicable category from item no. 6 above) \$ \_\_\_\_\_
  - Amount will vary depending on lump sum payment made by property owner levy is to finance the original cost of constructing the 73 Avenue Water Main Extension.
- Capital Connection Costs (Once Time Cost) \$2,868.20
  - Each property owner will be required to pay a capital cost contribution equivalent to the current Development Cost Charge to compensate for the development of the existing water system including the distribution system, reservoirs, pumping facilities, etc.  
Note: Property owner will be required to hire a contractor to connect the existing dwelling to the 73 Avenue Water Main Extension.
- Connection of City Water (Once Time Cost) \$ 55.00
  - Plumbing Inspection Fee for costs associated with the City inspecting the works.
- Annual Water User Fee \$ 222.08
  - Once connected to the 73 Avenue Water Main Extension, property owners will be charged an annual fee for use of municipally treated water.
- Annual Water Frontage Taxes (Amount will vary depending upon lot frontage) \$ 245.00
  - Once property has the ability to connect to the municipal water system, property owners will be levied a frontage tax to fund the ongoing capital improvements of the overall water system (i.e. Water Treatment Plant, Lift Stations, Trunk mains, etc.

Council Initiative Process:


To establish the Local Area Service, authorize the borrowing of the applicable funds and its subsequent cost recovery from the Local Service Area, Council must embark on a process to notify the property owners in the subject area and provide them with an opportunity to petition against the establishment of same. A notice must be mailed to each property owner outlining a

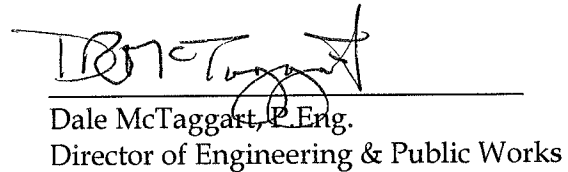
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general description of the service, the subject area, the cost of the service, the estimated annual charge and the number of years the charge will be imposed. A public notice must be placed in two (2) issues of the local newspaper and posted at City Hall giving the property owners an opportunity to request Council not to proceed with the establishment of the Local Area Service, the borrowing of the applicable funds and its subsequent cost recovery from the Local Service Area.

Property owners that are subject to the Local Area Service may petition Council not to proceed with the establishment of the Local Area Service, the borrowing of the applicable funds and its subsequent cost recovery from the Local Service Area by signing a petition. A petition "against" is considered sufficient if it is signed by property owners of at least 50% of the parcels and which represent at least 50% of the assessed value of land and improvements that would be subject to the local service tax.

Council must establish the deadline date to which petitions "against" can be submitted. The deadline must be at least 30 days after the 2nd public notice in the local newspaper.

  
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Monica Dalziel, CMA  
Director of Corporate Services

  
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